

BRAZIL

~~RESTRICTED~~BRAZIL - MERCHANT SHIPPINGA. POLICIES

1. Basic Brazilian policy with respect to merchant shipping is aimed at (a) the replacement of losses incurred during World War II, (b) a substantial increase in the total size of the pre-war fleet, and (c) improvements in the quality of vessels constituting the fleet. Brazil considers these objectives to be necessitated by the lack of highways and railroads connecting the isolated population concentrations along the coast, and by the demands of Brazilian foreign trade. To achieve the goals set for the merchant marine, Brazil is willing to (a) purchase large numbers of foreign vessels, involving substantial expenditures, (b) grant preferential treatment to her own vessels, even to the point of risking accusations of discrimination; and (c) subsidize the operations of its merchant vessels.

Through Lloyd-Brasileiro, the Brazilian Government owns and operates the major portion of the merchant fleet, particularly those vessels in overseas service. A large Amazon river shipping company (Booth), which was owned by British interests, was taken over by the Brazilian government in 1945.

The current program for the fleet's expansion calls for the expenditure of more than \$54,000,000. This involves primarily purchases from the US and Canada. It is expected that the program will provide Brazil with a better merchant marine than she had in pre-war years.

2. Policy in respect to the merchant marine does not appear to have been dominated by military considerations, although the Brazilian contracts for building ships in the US during World War II probably reflected military concern at shipping losses. While economic considerations are the basis for Brazilian merchant shipping policy, prestige and local aspirations, involving both international and domestic politics, have played a part in the determination of Brazilian objectives.
3. (a) There is no subsidy for ship building in Brazil. (The small Brazilian industry merely builds a few fishing vessels and coastal luggers.)
- (b) The government also aids its merchant marine by requiring that all government purchases made abroad be transported in Brazilian ships. In order to encourage foreign exporters to utilize Brazilian bottoms, various devices are employed including: (a) a 50% discount on consular fees is granted if the shipment is made in Brazilian ships; and (b) free passage in Brazilian ships is afforded to representatives of large foreign exporters. Until recently Brazilian ships were given priorities in the assignment of dock space in Brazilian ports where space is at a premium. This practice has now been discontinued as a result of foreign protests against such discrimination.

The foregoing support is granted primarily to government-owned ships. There are some small privately-owned coastwise shippers who do not receive any subsidies.

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4. There is no large ship construction and hence Brazilian policy necessarily permits the purchase of foreign built ships. In fact, Brazil is actively acquiring as many foreign ships as possible for its expanding trade. Brazilian law requires that owners, captains and two-thirds of the crews of Brazilian vessels be Brazilian nationals. The two-thirds law is also applicable to shipyard and stevedore labor.

5. Brazilian merchant shipping companies are members of various international conferences.

The navigability of several rivers for deep-draft shipping has given rise to international agreements covering reciprocal treatment and free transit for vessels engaged in river navigation. Brazil has specific international agreements of this type with Brazil, Argentina, Chile, Uruguay, Paraguay, Peru and Columbia.

6. No coordination appears to exist between shipping and civil air policies in Brazil.
7. While no prohibition exists against the operation of airlines by steamship companies, there appear to be no cases of such activity.

B. ORGANIZATION

1. The Ministry of Transport and Public Works controls all shipping through the following departments:
 - (a) Merchant Marine Commission.
 - (b) Department of Ports, Rivers and Canals, and River Plate Basin Navigation Commission.

The Brazilian Navy (see B 2)

2. All phases of merchant shipping are under the jurisdiction of the Brazilian Merchant Marine Commission, which was organized in 1941. The Merchant Marine Commission determines schedules, fixes rates, distributes tonnage, determines port occupation time, correlates traffic with other transport services, determines freight rates and salaries of personnel, approves subsidies for Merchant Marine deficits, controls the charter and sale of national vessels, and approves the acquisition of imported materials for the Merchant Marine. The Commission also licenses unscheduled voyages to national or foreign ports.

The National Department of Ports, Rivers and Canals has jurisdiction over port construction, maintenance of equipment, operation of ports and coastwise navigation facilities; it is divided into four sections:

Hydrographic
Works and planning
Economic and commercial
Administration

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BRAZIL - MERCHANT SHIPPING (B-2 CONT'D)

The Brazilian Navy, which had exclusive jurisdiction over shipping prior to 1941, still passes on the plans for ships built in foreign shipyards. Since Brazilian merchant ships form a naval reserve fleet, a direct naval interest exists. The Navy enforces safety regulations through the Capitania dos Portos.

3. There is practically no relation between the Merchant Marine Commission and the Air Ministry. War-time coordination between the various forms of transportation is rapidly disappearing.
4. By Decree Law 3119 March 17, 1941, the Merchant Marine Commission was subordinated to the Ministry of Transport and Public Works to improve coordination. The functions of the Merchant Marine Commission and the National Department of Ports, Rivers and Canals were clarified to avoid overlapping and conflict. A reorganization is under consideration by which the composition of the Merchant Marine Commission would be altered without changing its functions. The new Commission would be called the Merchant Marine Department, having one Director with an advisory board composed of representatives of the Ministry of Marine, the Ministry of Transport and Public Works, and representatives from the three principal shipping companies plus one representative for the remaining smaller companies. (Lloyds Register reports that the three largest Brazilian shipping companies are Lloyd-Brasileiro; Companhia Nacional de Comercio Navegacao Costoria; and Companhia Comercio e Navegacao.)
5. The shipping agencies are sincerely attempting efficient operation in the public interest, but are handicapped by political, military and financial considerations. The Brazilian Merchant Marine Commission is considered to be well organized and on the whole to have good personnel, although there have been intimations of graft and political interference. Operating efficiency does not compare with US standards. Some of the older Brazilian vessels are obsolescent, and cannot compete with more modern foreign ships. The vessels now under construction for Brazil, however, will be fully capable of meeting international competition.

C. ADMINISTRATION

1. The Brazilian Merchant Marine Commission passes on all plans to establish steamship companies. It decides whether a ship is serviceable and whether it may be operated in Brazilian waters. It has also tried, though unsuccessfully, to dictate to the steamship companies which ports are to be served.
2. Rates are controlled by a Conference of the various Brazilian lines. The Merchant Marine Commission, however, has a veto right on rates, and actually rejects rates when they are found to be discriminatory or excessive.

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BRAZIL - MERCHANT SHIPPING (C-3)

3. Broadly speaking, the predominant position of the Government in Brazilian shipping has had the effect of reducing competition domestically. Competition between Brazilian and foreign lines has been restricted by the constitutional exclusion of foreign vessels from coastwise trade. (This can be, and has been, temporarily lifted when in the country's interests.) Brazilian ships are favored, in their competition with foreign ships, by measures cited in A-3 (b), and by subsidization.

International agreements are described in A-5.

4. Safety standards follow the 1929 International Convention for Safety of Life at Sea. The Department of the Navy, which has jurisdiction, enforces safety regulations through the Capitania dos Portos. Inspection of a vessel is made once yearly afloat and every second year in drydock. During those inspections hulls, decks, engines, crew quarters, etc. receive a rigid examination, upon the satisfactory completion of which an inspection certificate is issued. Classification Society certificates are acceptable in lieu of government inspection. Standards follow the Lloyds Register and the American Bureau of Shipping requirements. Legal provisions governing safety are generally patterned after US laws.

In the event of an accident a report must be made to the nearest port captaincy who institutes a survey. Accidents in foreign waters are reported to the nearest Brazilian consul or Classification Society.

5. The Federal Government subsidizes institutions for training sailors. The Merchant Marine Training Program has been assigned a ship and a small number of Naval officers and crewmen. The Navy conducts final examinations. Candidates are rated as cadets, after theoretical instruction, and assigned to ships for deck and engine room training. License requirements for deck and engineer personnel are believed to be about the same as those prevailing in the US.
6. Article 33 of the Merchant Marine Commission Regulations Decree Law 7838, September 11, 1941, requires shipping companies: (a) to forward by the fifteenth of each month data concerning traffic during the previous month; (b) to supply quarterly, by vessel, details on maintenance; (c) to submit annual balance sheets, profit and loss statements; and (d) to permit any examination or investigation the Merchant Marine Commission deems justifiable.